

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA PRIORITY

C O N F I D E N T I A L STATE 050697

FOR AMBASSADOR

E.O. 11652: GDS
TAGS: EFIN, ICON, CG
SUBJ: CIS--INGA-SHABA TRANSMISSION

REF: KINSHASA 1714 ET AL, STATTE 047170

1. TAKING INTO CONSIDERATION THE STATUS OF CONSTRUCTION OF THE INGA/SHABA TRANSMISSION LINE, THE RECOMMENDATION OF YOUR EMBASSY, THE OBVIOUS ADVANTAGES TO BOTH THE GOZ AND CIS IN ALLOWING CIS TO HAVE SUFFICIENT DOLLARS NOT TO BRING CONSTRUCTION TO A COMPLETE STOP AT THIS TIME, AND THE NEED TO PROTECT THE SUBSTANTIAL AMOUNT OF DISBURSEMENTS ALREADY MADE TO SNEL AND THE GOZ BY US, EXIMBANK HAS TOLD FNCB THAT DISBURSEMENTS UNDER THE LOCAL COSTS LOAN BY FNCB AND ITS CONSORTIUM BANKS PURSUANT TO EXISTING DISBURSEMENT REQUESTS AGGREGATING UP TO DOL3,060,000 WILL BE GUARANTEED IN ACCORDANCE WITH THE TERMS OF OUR GUARANTEE AGREEMENT WITH THEM.

2. EXIMBANK TAKES THIS ACTION DESPITE: (A) NON-PAYMENT OF COMMITMENT FEES OF DOL169,183 AND INTEREST OF DOL1,028,607 DUE FEB 10, 1975 TO EXIMBANK FROM SNEL UNDER THE INGA-SHABA LINE CREDIT (EXIMBANK CONFIDENTIAL

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CREDIT 4684); (B) NON-PAYMENT OF COMMITMENT FEES OF DOL15,966 DUE AUG 12, 1974 AND DOL15,707 DUE FEB 10, 1975 TO EXIMBANK FROM SNEL UNDER THE INGA II CREDIT (EXIMBANK CREDIT 4539); AND (C) NON-PAYMENT OF AMOUNTS DUE TO FNCB AND OTHER CONSORTIUM BANKS AMOUNTING TO DOL6.3 MILLION UNDER THE FNCB "BALANCE OF PAYMENTS" LOAN AND IN EXCESS OF DOL3 MILLION UNDER THE LOAN TO GOZ FOR ACFT (EXIMBANK GUARANTEED).

3. EACH OF THE FACTS DESCRIVED IN PARA 2 ABOVE CONSTITUTE EVENTS OF DEFAULT UNDER THE APPROPRIATE AGREEMENTS AND CONSTITUTE EVENTS OF DEFAULT UNDER EVER OTHER MATERIAL AGREEMENT INCLUDING THE GOZ, FNCB AND/OR EXIMBANK AS THE RESULT OF CROSS DEFAULT CLAUSES. EXIMBANK AND FNCB HAVE AMPLE LEGAL JUSTIFICATION TO (A) CEASE DISBURSEMENTS UNDER ALL MATERIAL LOANS TO GOZ AND/OR SNEL; (B) DECLARE FORMALLY THE EXISTENCE OF EVENTS OF DEFAULT; AND (C) ACCELERATE THE LOANS AND REQUIRE PAYMENT I FULL FORTHWITH.

4. FOR THE REASONS STATED IN PARA 1 ABOVE, EXIMBANK HAS CHOSEN FOR THE PRESENT TO PROVIDE THE GOZ WITH SOME TIME TO IMPROVE THE SITUATION RELATING TO FOREIGN CURRENCY. IN DOING SO WE GO AGAINST CERTAIN PAST POLICIES RELATING TO THE POSTURE OF THIS BANK WHEN FACED WITH SERIOUS EVENTS OF DEFAULT, AS HERE. OUR APPROACH IS VERY CAUTIOUS, AND WE MUST CONTINUE TO EVALUATE THE SITUATION ON A WEEKLY BASIS.

5. EXIMBANK'S POSITION IN THIS MATTER DOES NOT INSURE THAT DISBURSEMENTS WILL BE MADE. IT IS OUR UNDERSTANDING, HOWEVER, THAT FNCB IS RECOMMENDING TO ITS CONSORTIUM BANKS DISBURSEMENT OF THE SUBJ FUNDS ON MAR 20, 1975. CASEY EXIMBANK INGERSOLL

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